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***Financial Report***

***Easter Seal Society of Louisiana  
For Children and Adults  
With Disabilities, Inc.***

***August 31, 2007***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/13/08

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August 31, 2007 and 2006

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**FINANCIAL SECTION**



Bourgeois Bennett

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,  
Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.,  
New Orleans, Louisiana.

We have audited the accompanying statements of financial position of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc., (a nonprofit organization) as of August 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General for the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. as of August 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2007 on our consideration of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Bourgeois Bennett, LLC.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 19, 2007.

**STATEMENTS OF FINANCIAL POSITION****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash	\$ 54,014	\$ 317,657
Accounts receivable, net	1,072,933	545,553
Prepaid expenses and deposits	6,464	5,684
Unimproved real estate	16,218	16,218
Equipment	293,147	230,091
Accumulated depreciation	<u>(201,728)</u>	<u>(182,152)</u>
Total assets	<u>\$ 1,241,048</u>	<u>\$ 933,051</u>
<b>Liabilities</b>		
Accounts payable	\$ 32,808	\$ 22,954
Line of credit	143,000	-
Accrued vacation	121,206	76,343
Payroll taxes payable	5,688	1,078
Due to National Easter Seals	<u>9,177</u>	<u>15,288</u>
Total liabilities	<u>311,879</u>	<u>115,663</u>
<b>Net Assets</b>		
Unrestricted	929,169	814,338
Temporarily restricted	<u>          </u>	<u>3,050</u>
Total net assets	<u>929,169</u>	<u>817,388</u>
Total liabilities and net assets	<u>\$ 1,241,048</u>	<u>\$ 933,051</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2007

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Support and Revenues</b>			
Contract fees for services -			
Case Management (Department of Health and Hospitals):			
Region 1 (New Orleans)	\$ 929,601		\$ 929,601
Region 3 (Thibodaux)	969,790		969,790
Region 6 (Alexandria)	822,177		822,177
Region 7 (Shreveport)	1,118,459		1,118,459
Region 8 (Monroe)	334,505		334,505
Region 9 (Covington)	1,090,304		1,090,304
Mental Health (Department of Health and Hospitals):			
Region 3 (Thibodaux)	47,342		47,342
Single Point of Entry (Department of Health and Hospitals):			
Region 17 (Monroe)	382,426		382,426
Special events	79,365		79,365
Contributions	105,194		105,194
Bingo (net of expenses of \$219,909 and winnings of \$855,497)	39,176		39,176
Program service fees	435		435
Miscellaneous	10,493		10,493
	<u>5,929,267</u>		<u>5,929,267</u>
Total support and revenues	<u>5,929,267</u>		<u>5,929,267</u>
Net assets released from restrictions	<u>3,050</u>	<u>\$ (3,050)</u>	<u>-</u>
Total support, revenues and other support	<u>5,932,317</u>	<u>(3,050)</u>	<u>5,929,267</u>

**Exhibit B  
(Continued)**

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Expenses</b>			
Program services:			
Case management:			
Region 1 (New Orleans)	829,533		829,533
Region 3 (Thibodaux)	794,933		794,933
Region 6 (Alexandria)	769,024		769,024
Region 7 (Shreveport)	1,128,537		1,128,537
Region 8 (Monroe)	393,584		393,584
Region 9 (Covington)	1,021,147		1,021,147
Mental Health:			
Region 3 (Thibodaux)	41,774		41,774
Single Point of Entry:			
Region 17 (Monroe)	376,292		376,292
Direct services	71,067		71,067
Public health education	24,830		24,830
Professional education and training	20,286		20,286
Support services:			
Management and general	287,335		287,335
Fundraising	59,144		59,144
Total expenses	<u>5,817,486</u>	<u>-</u>	<u>5,817,486</u>
<b>Increase (Decrease) in Net Assets</b>	114,831	(3,050)	111,781
<b>Net Assets</b>			
Beginning of year	<u>814,338</u>	<u>3,050</u>	<u>817,388</u>
End of year	<u>\$ 929,169</u>	<u>\$ -</u>	<u>\$ 929,169</u>

See notes to financial statements.



**STATEMENT OF ACTIVITIES****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2006

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Support and Revenues</b>			
Contract fees for services -			
Case Management (Department of Health and Hospitals):			
Region 1 (New Orleans)	\$ 527,116		\$ 527,116
Region 3 (Thibodaux)	561,265		561,265
Region 6 (Alexandria)	591,247		591,247
Region 7 (Shreveport)	877,436		877,436
Region 9 (Covington)	856,110		856,110
Mental Health (Department of Health and Hospitals):			
Region 3 (Thibodaux)	48,396		48,396
Region 9 (Covington)	9,960		9,960
Single Point of Entry (Department of Health and Hospitals):			
Region 17 (Monroe)	346,413		346,413
Special events	67,804		67,804
Contributions	64,523	\$ 3,050	67,573
Bingo (net of expenses of \$208,965 and winnings of \$887,323)	126,932		126,932
Program service fees	115,457		115,457
Miscellaneous	34,145		34,145
<b>Total support and revenues</b>	<u>4,226,804</u>	<u>3,050</u>	<u>4,229,854</u>

**Exhibit B-1  
(Continued)**

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Expenses</b>			
Program services:			
Case management:			
Region 1 (New Orleans)	462,870		462,870
Region 3 (Thibodaux)	503,144		503,144
Region 6 (Alexandria)	612,798		612,798
Region 7 (Shreveport)	896,962		896,962
Region 9 (Covington)	792,528		792,528
Mental Health:			
Region 1 (New Orleans)	213		213
Region 3 (Thibodaux)	44,236		44,236
Region 9 (Covington)	15,539		15,539
Single Point of Entry:			
Region 17 (Monroe)	361,813		361,813
Direct services	114,207		114,207
Public health education	34,449		34,449
Professional education and training	25,526		25,526
Support services:			
Management and general	256,937		256,937
Fundraising	71,795		71,795
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>4,193,017</u>	<u>-</u>	<u>4,193,017</u>
<b>Increase in Net Assets</b>	33,787	3,050	36,837
<b>Net Assets</b>			
Beginning of year	<u>780,551</u>		<u>780,551</u>
End of year	<u>\$ 814,338</u>	<u>\$ 3,050</u>	<u>\$ 817,388</u>

See notes to financial statements.

## **STATEMENT OF FUNCTIONAL EXPENSES**

### **Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2007

	Program Services			
	Case Management			
	Region 1	Region 3	Region 6	Region 7
Salaries	\$ 554,579	\$ 525,398	\$ 514,334	\$ 753,706
Employee health, retirement and benefits	39,825	44,209	41,475	81,262
Payroll taxes	49,413	45,285	43,159	62,958
Bad debt expense	26,629	27,143	22,925	36,062
Conferences, conventions and meetings	1,097	1,126	1,067	910
Equipment maintenance	10,040	7,009	6,388	8,067
Equipment rental	6,299	3,371	5,785	8,718
Insurance	3,620	3,620	3,620	3,982
Interest expense	76	76	76	83
Licenses and fees	625	600	625	600
Media expenses	1,013	2,547	20	1,271
Membership dues to professional associations		120		
Miscellaneous	15,508	6,147	5,562	3,520
Office expense	4,989	1,560	1,355	1,550
Occupancy	36,387	34,727	28,889	53,519
Outside printing	1,624	1,134	1,355	2,267
Postage	4,951	4,389	4,180	6,553
Professional fees and contract service payments	19,295	10,644	10,873	12,014
Specific assistance to individuals				
Supplies	16,461	16,757	21,637	14,587
Support to National Easter Seals				
Telephone	10,946	18,846	11,251	12,143
Travel	24,198	38,267	42,490	62,612
Total expenses before depreciation	827,575	792,975	767,066	1,126,384
Depreciation of property and equipment	1,958	1,958	1,958	2,153
Total expenses	<u>\$ 829,533</u>	<u>\$ 794,933</u>	<u>\$ 769,024</u>	<u>\$ 1,128,537</u>

See notes to financial statements.

Program Services										Support Services		
Case Management		Mental Health	Single Point of Entry	Direct Services	Public Health Education	Professional Education and Training	Totals	Management And General	Fundraising	Totals		
Region 8	Region 9	Region 3	Region 17									
\$ 239,263	\$ 706,668	\$ 30,253	\$ 252,925	\$ 20,169	\$ 13,617	\$ 7,027	\$ 3,617,939	\$ 60,838	\$ 29,137	\$ 3,707,914		
9,171	56,669	173	17,042	299			290,125	46,354		336,479		
21,331	59,191	2,554	21,047	1,692	1,114		308,280	9,669	2,269	320,218		
9,961	30,721						153,441	66		153,507		
2,006	880		580				11,284	874	209	12,367		
3,074	8,307	177	5,737				48,799	1,748		50,547		
2,592	6,589	219	5,656		(47)		39,182	3,833	488	43,503		
2,896	3,982	724	1,810	4,344	1,086	1,086	30,770	3,620	1,812	36,202		
60	83	15	38	91	23	23	644	76	35	755		
675	600						3,725	160	4,636	8,521		
364	340						5,555	481	1,042	7,078		
2,246	5,050	16	1,302				120	10,998		11,118		
9,138	4,096		(40)				39,351	4,883		44,234		
33,530	57,789		23,024	10,323	5,899	5,899	289,986	7,061	500	297,709		
1,771	1,603		76	891	105		10,826	1,247	2,908	14,981		
1,917	4,668	11	4,944	1,036	2		32,651	1,159	744	34,554		
7,140	8,018	518	1,800	3,070	734	734	74,840	2,447	7,705	84,992		
				20,333			20,333			20,333		
22,741	9,126	535	4,441	100	737		107,122	2,915	6,011	116,048		
								110,125		110,125		
6,887	11,849	810	10,112		973		83,817	6,105	669	90,591		
15,255	42,765	5,378	24,819	6,370		776	262,930	3,345		266,275		
392,018	1,018,994	41,383	375,313	68,718	24,243	19,699	5,454,368	285,377	58,165	5,797,910		
1,566	2,153	391	979	2,349	587	587	16,639	1,958	979	19,576		
\$ 393,584	\$ 1,021,147	\$ 41,774	\$ 376,292	\$ 71,067	\$ 24,830	\$ 20,286	\$ 5,471,007	\$ 287,335	\$ 59,144	\$ 5,817,486		

# **STATEMENT OF FUNCTIONAL EXPENSES**

## **Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2006

	<u>Program Services</u>				
	<u>Case Management</u>				
	<u>Region 1</u>	<u>Region 3</u>	<u>Region 6</u>	<u>Region 7</u>	<u>Region 9</u>
Salaries	\$ 270,433	\$ 330,607	\$ 395,563	\$ 552,652	\$ 519,840
Employee health, retirement and benefits	13,089	28,377	43,068	71,807	47,091
Payroll taxes	20,839	28,406	32,309	50,738	41,875
Bad debt expense	80,607	11,106	42,315	49,745	25,470
Conferences, conventions and meetings	1,494	1,221	941	2,558	976
Equipment maintenance	2,684	5,048	2,977	5,032	6,861
Equipment rental	5,130	650	4,077	15,510	6,409
Fundraising Prizes					
Insurance	3,255	3,255	3,255	3,580	3,580
Interest expense	176	176	176	194	194
Licenses and fees	600	626	600	600	600
Media expenses	60	602	259	1,424	464
Membership dues to professional associations		110			
Miscellaneous	731	4,123	1,318	3,881	9,360
Office expense	-	1,090			55
Occupancy	29,783	25,969	18,902	43,194	56,613
Outside printing	666	1,039	1,017	1,345	1,405
Postage	1,967	3,029	3,455	8,589	5,040
Professional fees and contract service payments	6,969	6,969	6,969	7,665	7,665
Specific assistance to individuals					
Supplies	4,168	7,591	13,749	15,036	6,340
Support to National Easter Seals					
Telephone	9,320	16,131	7,376	14,215	10,442
Travel	9,282	25,030	32,078	45,666	39,111
 Total expenses before depreciation	 461,253	 501,155	 610,404	 893,431	 789,391
 Depreciation of property and equipment	 1,617	 1,989	 2,394	 3,531	 3,137
 Total expenses	 <u>\$ 462,870</u>	 <u>\$ 503,144</u>	 <u>\$ 612,798</u>	 <u>\$ 896,962</u>	 <u>\$ 792,528</u>

See notes to financial statements.



**STATEMENTS OF CASH FLOWS****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the years ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 111,781	\$ 36,837
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,576	16,383
Bad debt expense	58,357	(131,604)
(Increase) decrease in operating assets:		
Accounts receivable	(585,737)	167,226
Prepaid expenses and deposits	(780)	5,231
Increase (decrease) in operating liabilities:		
Accounts payable	9,854	(15,375)
Accrued vacation	44,863	7,127
Payroll taxes payable	4,610	(92)
Due to National Easter Seals	(6,111)	10,503
Total adjustments	<u>(455,368)</u>	<u>59,399</u>
Net cash provided by (used in) operating activities	<u>(343,587)</u>	<u>96,236</u>
<b>Cash Flows Used In Investing Activities</b>		
Purchases of property and equipment	<u>(63,056)</u>	<u>(35,337)</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings net of repayments under line of credit	<u>143,000</u>	<u>-</u>
<b>Net Increase (Decrease) In Cash</b>	<b>(263,643)</b>	<b>60,899</b>
<b>Cash</b>		
Beginning of year	<u>317,657</u>	<u>256,758</u>
End of year	<u><u>\$ 54,014</u></u>	<u><u>\$ 317,657</u></u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

August 31, 2007 and 2006

**Note 1 - NATURE OF ACTIVITIES**

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (the "Organization"), d/b/a Easter Seals Louisiana, is a non-profit, community-based healthcare agency organized under the laws of the State of Louisiana. The mission of the Organization is to help children and adults with disabilities of all ages, and their families, obtain, and effectively utilize resources necessary to lead more independent and purposeful lives. The Organization maintains programs and services that create an acceptance toward people with disabilities through the following: Camperships, Equipment Loan and Specific Assistance, Scoliosis Screenings, Post Polio Support Network, Support Coordination (Case Management), and Early Intervention Services.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Organization and Income Taxes**

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1951. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

**b. Basis of Accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting generally accepted in the United States of America.



**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Financial Statement Presentation**

Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", requires the reporting of information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, based on donor stipulations and restrictions placed on contributions, if any.

**d. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**e. Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**f. Contributions**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Accounts receivable**

The Organization provides services under contracts entered into with various state and local agencies. Accounts receivable includes amounts billed under these contracts and amounts due from patients for services provided.

A major portion of the accounts receivable balance as of August 31, 2007 and 2006 is from the Louisiana Department of Health and Hospitals. The balance as of August 31, 2007 and 2006 of the allowance for uncollectible receivables is \$134,015 and \$114,413, respectively.

**h. Property and Equipment**

Property and equipment are recorded at cost. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of donation.

**i. Allocated Expenses**

The cost of providing the various programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

**Note 3 - PROPERTY AND EQUIPMENT**

At August 31, 2007 and 2006, the cost of property and equipment and accumulated depreciation were as follows:

	<u>2007</u>	<u>2006</u>
Equipment:		
Furniture and fixtures	\$ 144,074	\$ 139,103
Transportation equipment	22,208	22,208
Office equipment	<u>126,865</u>	<u>68,780</u>
Total equipment	293,147	230,091

**Note 3 - PROPERTY AND EQUIPMENT (Continued)**

	<u>2007</u>	<u>2006</u>
Unimproved real estate	16,218	16,218
Less accumulated depreciation	<u>(201,728)</u>	<u>(182,152)</u>
Net property and equipment	<u>\$ 107,637</u>	<u>\$ 64,157</u>

Depreciation expense was \$19,576 and \$16,383 for the years ended August 31, 2007 and 2006, respectively.

**Note 4 - OPERATING LEASES**

The Organization leases certain office facilities in New Orleans, Shreveport, Covington, Monroe, Alexandria, Thibodaux, and Metairie. Rent expense related to these leases was \$297,859 and \$212,804 for the years ended August 31, 2007 and 2006, respectively.

The future minimum lease payments under the above described leases are as follows:

<u>Years Ending</u> <u>August 31,</u>	
2008	\$ 252,452
2009	218,694
2010	177,448
2011	149,022
2012	<u>33,860</u>
Total	<u>\$ 831,476</u>

**Note 5 - LINE OF CREDIT**

The Company has a \$300,000 revolving bank line of credit, with a balance of \$143,000 outstanding at August 31, 2007. Interest is payable at Whitney National Bank prime rate, which was 8.75% at August 31, 2007. All unpaid interest and principal are due on May 15, 2008.

**Note 6 - EMPLOYEE BENEFIT PLANS**

The Organization sponsors a defined benefit plan that covers substantially all employees, as of August 31, 2000. The plan provides benefits to be paid to eligible employees at retirement based primarily upon years of service with the organization and compensation rates near retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist primarily of common and preferred stock, investment-grade corporate bonds, and U.S. government obligations.

The Organization's Board of Directors voted at its June 1, 2000 meeting to freeze the pension plan effective September 1, 2000. This freeze was in anticipation of terminating the plan at a future date. At August 31, 2007, the plan was terminated.

There is no service cost for the years ended August 31, 2007 and 2006.

The following sets forth the funded status of the plan at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Actuarial present value of benefit obligations:		
Vested benefits	\$ 544,985	\$ 524,625
Nonvested benefits	<u>-</u>	<u>-</u>
Accumulated benefit obligations	544,985	524,625
Fair value of assets held in plan	<u>476,844</u>	<u>453,576</u>
Excess of projected benefit obligations over plan assets	(68,141)	(71,049)
Unrecognized actuarial loss	<u>204,628</u>	<u>188,020</u>
Actuarial prepaid benefit cost	<u><u>\$ 136,487</u></u>	<u><u>\$ 116,971</u></u>

The excess of projected benefit obligations over plan assets at August 31, 2007 has been determined by Management to be immaterial. This liability has not been recorded.

**Note 6 - EMPLOYEE BENEFIT PLANS (Continued)**

The Organization maintains a defined contribution retirement plan, which allows participants to contribute by salary reduction pursuant to Section 403(b) of the Internal Revenue Code. The 403(b) is discretionary and the organization will contribute up to 2% of employee salary. The organization elected not to make plan contributions for the years ended August 31, 2007 and 2006.

**Note 7 - RELATED PARTY TRANSACTIONS**

The Organization is affiliated with the National Easter Seals (Easter Seals) and pays an annual membership fee. The fee was \$110,125 for the year ended August 31, 2007. Easter Seals waived the membership fees for the year ended August 31, 2006 due to Hurricane Katrina

The Organization made a preliminary payment of the membership dues for the year ended August 31, 2006. Easter Seals refunded this advance and also made an excess reimbursement of \$15,288, which is reported as due to Easter Seals at August 31, 2006.

Easter Seals provides supplies for certain campaigns and charges the Organization for those supplies. Easter Seals also remits to the Organization contributions collected on behalf of the Organization. At August 31, 2007, the Organization owes Easter Seals \$9,177 for supplies.

**Note 8 - SIGNIFICANT CONTRACTS AND GRANTS**

For the years ended August 31, 2007 and 2006, approximately \$5,300,000 and \$3,413,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary, and approximately \$430,000 and \$405,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a pass through entity for federal grants. The State provides annual contracts to the Organization which grant the State the right to audit program accounts and activities. The State, acting as the Medicaid intermediary for Medicaid patients, reimburses services rendered to Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

**Note 9 - RISK MANAGEMENT**

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended August 31, 2007 and 2006.

**Note 10 - CASH FLOWS INFORMATION**

Cash payments of interest during the years ended August 31, 2007 and 2006 were \$755 and \$1,762, respectively.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.,  
New Orleans, Louisiana.

We have audited the financial statements of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (a nonprofit organization), as of and for the year ended August 31, 2007, and have issued our report thereon dated December 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified two deficiencies in internal control over financial reporting that we consider to be significant deficiencies and which are described in the accompanying schedule of findings and responses as items 07-01 and 07-02.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 19, 2007.

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2007

#### **Section I - Summary of Auditor's Report**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

##### **b) Federal Awards**

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. did not receive Federal awards in excess of \$500,000 during the year ended August 31, 2007 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

#### **Section II - Financial Statement Findings**

##### **Internal Control**

**07-01 Criteria** - Effective internal controls requires that an entity have someone with the technical expertise and knowledge who has the ability to prepare financial statements and all disclosures in accordance with generally accepted accounting principles as part of its control process. Statement of Auditing Standards (SAS) No. 112 recently issued guidance emphasizing that the independent auditor cannot be

## Section II - Financial Statement Findings (Continued)

### Internal Control (Continued)

#### 07-01 (Continued)

part of an organization's system of internal control over financial reporting. This means that if an organization does not have the ability to prepare its own financial statements in accordance with generally accepted accounting principles (GAAP), including footnote disclosures, or detect misstatements in statements prepared by others, it is considered a significant deficiency in the organization's internal control which is required to those reported to management and those charged with governance.

**Condition** - Management lacks the qualifications and expertise necessary to prepare financial statements and all disclosures in accordance with generally accepted accounting principles. Possessing suitable skills, knowledge, and experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the expertise required to prepare the statements and all disclosures.

**Questioned Costs** - None.

**Context** - Systematic.

**Effect** - Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. has a recognized deficiency in its internal controls.

**Cause** - Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. has not determined a need for a financial person possessing the required technical expertise.

**Recommendation** - We recommend Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. consider the need for having someone with the technical expertise and knowledge to prepare financial statements and all disclosures in according with generally accepted accounting principles.

**Views Of Responsible Officials Of The Auditee - When There is a Disagreement With the Finding, to the External Protocol** - None.

## **Section II - Financial Statement Findings (Continued)**

### **Internal Control (Continued)**

**07-02 Criteria** - Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. should have better internal controls relating to the accounting and monitoring functions.

**Condition** - Defalcation of funds.

**Questioned Costs** - None.

**Context** - Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. terminated the bingo game supervisor in October 2007. The bingo game supervisor was given authority over certain aspects of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s bingo operations and improper segregation of duties was evident. During this period, management was given inaccurate and incomplete monthly and quarterly financial reports.

**Effect** - The Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s bingo game supervisor is accused of embezzling company funds in the following ways: misappropriation of revenue reports. As of October 31, 2007, Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. has identified approximately \$20,000 of missing revenue.

**Cause** - The bingo game supervisor was given authority over certain aspects of bingo operations and improper segregation of duties was evident. During this period, management was given inaccurate and incomplete monthly financial reports.

**Recommendation** - The Agency must strengthen its internal control procedures to ensure that separation of duties is maintained and management must insist on receiving timely reports to monitor activity.

**Views Of Responsible Officials Of The Auditee - When There is a Disagreement With the Finding, to the External Protocol** - None.

## **Section III - Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2006

#### **Section I - Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit of the financial statements for the year ended August 31, 2006.

No reportable conditions were reported during the audit of the financial statements for the year ended August 31, 2006.

##### **Compliance**

No compliance findings material to the financial statement were noted during the audit the financial statements for the year ended August 31, 2006.

#### **Section II - Internal Control and Compliance Material To Federal Awards**

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. did not receive Federal awards in excess of \$500,000 during the year ended August 31, 2006 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended August 31, 2006.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2007

#### **Section I - Internal Control and Compliance Material to the Financial Statements**

**07-01 Recommendation** - Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. should consider the need for having someone with technical expertise and knowledge to prepare financial statements and disclosures in accordance with governmental accepted accounting principles.

**Management's Response** - Management does not consider the benefit of this recommended improvement to outweigh the cost of implementation.

**07-02 Recommendation** - Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. must strengthen its internal control procedures to ensure that separation of duties is maintained and management must insist on receiving timely reports to monitor activity.

**Management's Response** - The employee associated with the defalcation has been terminated and theft charges have been pursued with the proper enforcement agencies.

#### **Section II - Internal Control and Compliance Material To Federal Awards**

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. did not receive Federal awards in excess of \$500,000 during the year ended August 31, 2007 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended August 31, 2007.